

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:3413
ANSWERED ON:23.12.2008
DISPARITY IN PRICE INDICES OF WPI AND CPI
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) The details regarding calculation of Wholesale Price Index (WPI) along with the names of all commodities included therein;
- (b) The percentage share of each commodity in WPI;
- (c) Whether most countries take into account Consumer Price Index (CPI) while WPI is used in our country for measuring price index;
- (d) If so, the details thereof along with the reasons therefor; and
- (e) The rate of WPI during the period between June-November, 2008?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI ASHWANI KUMAR)

(a) to (e): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Unstarred Question No.3413 for answer on 23.12.2008 regarding disparity in price indices of WPI and CPI

(a) & (b): Wholesale Price Index (WPI) in India is compiled and released by the Office of the Economic Adviser, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry every week. The Current Series (Base: 1993-94 = 100) came into effect from April 2000 and it has 435 commodities in its basket.

Index is compiled on the principle of weighted arithmetic mean according to the Laspeyres formula, which has fixed base year weights operating through the entire life span of the series.

The formula used is: $I = \frac{\sum (I_j \times W_j)}{\sum W_j}$

Where

I = Index Number of wholesale prices of a sub-group/ group/ major group / All Commodities

W_j = The weight assigned to the jth item of sub-group/group/major group.

I_j = Index of the jth item of sub-group/group/major group.

Price relatives are calculated as the percentage ratios, which the current prices bear to those prevailing in the base period, i.e., by dividing the current price by the base period price and multiplying the quotient by 100. The commodity index is arrived at as the simple arithmetic average of the price relatives of all the varieties included under that commodity. The indices for the sub-groups/groups/major groups/all commodities are, in turn, worked out as the weighted arithmetic mean of the indices of the items/sub-groups/ groups/major groups falling under their respective heads.

The details of major groups and groups in the commodity basket and their weights to the WPI is given below:

Description	Weight (%)
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All Commodities	100.00
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I. Primary articles	22.02
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Food Articles	15.40
Non-Food Articles	6.14
Minerals	0.48
II. Fuel, Power, Light & Lubricants	14.23
Coking Coal	1.75
Mineral Oils	6.99
Electricity	5.48
III. Manufactured Products	63.75
Food Products	11.54
Beverages, Tobacco & Tobacco Products	1.34
Textiles	9.80
Wood & Wood Products	0.17
Paper & Paper Products	2.04
Leather & Leather Products	1.02
Rubber & Plastic products	2.39
Chemicals & Chemical Products	11.93
Non-metallic Mineral Products	2.52
Basic Metals, Alloys & Metal Products	8.34
Machinery & Machine Tools	8.36
Transport, Equipment & Parts	4.29

(c) & (d): Different countries use different price indices for measuring inflation such as Consumer Price Index (CPI), Producer Price Index (PPI) and Wholesale Price Index (WPI). As per information of International Financial Statistics (September, 2007) of the IMF, WPI is used in twenty-four countries in the world. In India, in addition to Wholesale Price Index, Consumer Price index is computed for specific group of consumers, such as for industrial workers (CPI-IW), Agricultural Labourers (CPI-AL) and Rural Labourers (CPI-RL). The commodity basket and weights for these consumer price indices are derived based on group-specific consumer expenditure surveys. The Wholesale Price Index (WPI) is, however, an economy wide index covering 435 commodities. Weights of these commodities in WPI are derived based on the value of quantities traded in the domestic market. As such it is a more comprehensive measure of economy-wide inflation available with high frequency.

(e) : Weekly WPI during the period June – November 2008 was as under:

Week ending WPI

7-Jun-08 236.5

14-Jun-08 236.9

21-Jun-08 237.7

28-Jun-08 238.4

5-Jul-08 239.3

12-Jul-08 239.5

19-Jul-08 240.5

26-Jul-08 240.7

2-Aug-08 241.4

9-Aug-08 241.1

16-Aug-08 241.1

23-Aug-08 241.2

30-Aug-08 241.4

6-Sep-08 241.7

13-Sep-08 241.7

20-Sep-08 241.3

27-Sep-08 241.3

4-Oct-08 239.7

11-Oct-08 239.3

18-Oct-08 238.3

25-Oct-08 238.5

1-Nov-08 235.5

8-Nov-08 235.0

15-Nov-08 235.1

22-Nov-08 233.7

29-Nov-08 233.6